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PRESIDENT'S ADVISORY
BOARD
FEDERAL TAX REFORM

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February 26, 2005

Honorable Connie Mack
Honorable John Breaux
President's Advisory Panel on Federal Tax Reform
1440 New York Ave., N.W., Suite 2100
Washington, D.C. 20220

RE: Double Taxation of Seniors

Gentlemen:

My wife and I worked hard for many, many years, faithfully saving and investing for our retirement only to learn when we did that 85% of our social security income would be and is taxed by the federal government (I.R.S.), effectively subjecting us to double taxation. Here's how.

During our working years the social security tax was levied on our gross income. That same income was then subjected to income tax. So, we paid social security tax on earnings on which we also paid income tax.

Under current law, if a social security recipient's income exceeds a threshold amount, which is determined by whether he/she files a separate or joint return, up to 85% of his/her income is taxed. The threshold amount includes all income, even social security and interest on "tax free" municipal bonds. In our case, our total, annual income exceeds the applicable threshold of \$44,000. Thus, after paying income and social security taxes on our gross earnings during our working years---in my case 47---we are paying income tax on the return of monies we paid as social security tax.

That's not right!

As a side note, the levy of income tax on social security income has had a negative impact on the law passed several years ago to help seniors who worked between ages 65 (or 63) and 70. As you know, that law eliminated the penalty imposed on the social security income of those seniors who had wages in excess of a certain amount. I think it was about \$10,000 annually. But, at the same time, or thereabouts, congress increased the taxable amount of social security income from 50% to 85%. Thus, seniors were put in a catch 22 position. Work more, earn more, tax more.

I know you and other members of your panel have a lot on your plate but I and a lot of other seniors would appreciate it if you would recommend that congress stop this double taxation of seniors.

Sincerely,

A handwritten signature in cursive script, appearing to read "Damon Ball".

Damon Ball